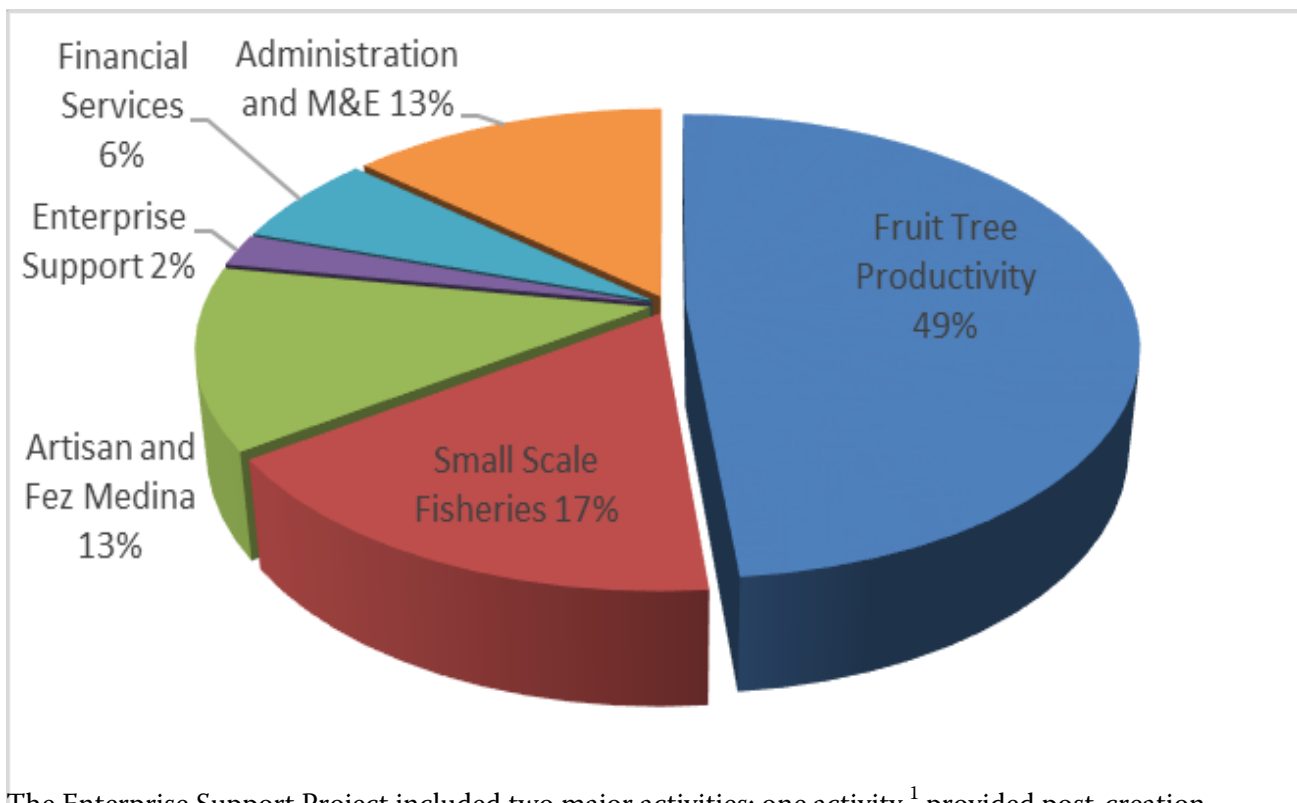


Measuring Results of the Morocco Enterprise Support Project

Support to Income Generating Activities (IGAs)

In Context

The MCC compact with Morocco was a five-year investment (2008-2013) of \$666.4 million in five projects: Fruit Tree Productivity, Small Scale Fisheries, Artisan and Fez Medina, Financial Services, and Enterprise Support.

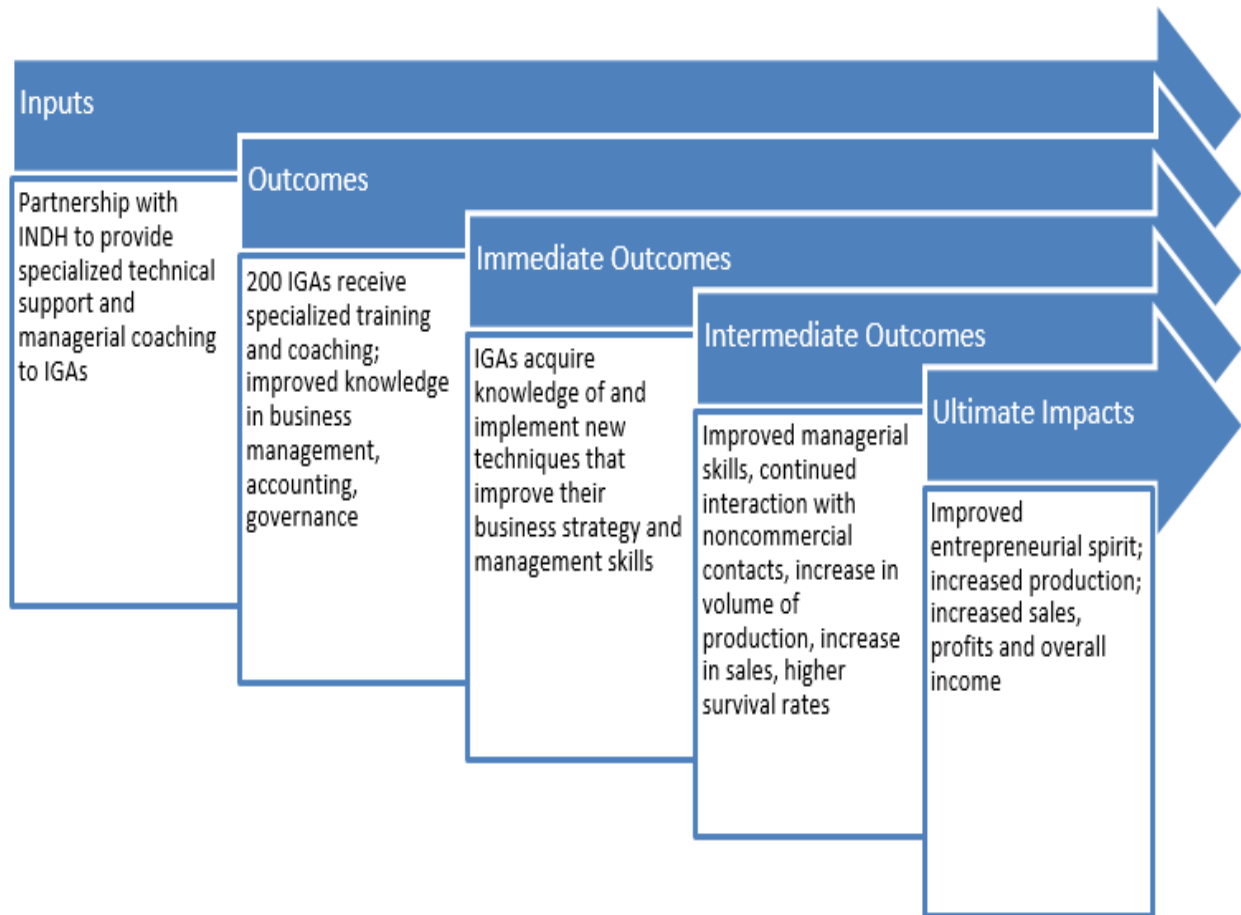


The Enterprise Support Project included two major activities: one activity¹ provided post-creation

support to Income Generating Activities (IGAs) and institutional capacity enhancement for the program-implementing entities and a similar activity for small businesses.² The \$ 15.1 million Enterprise Support Pilot Project represented 2% of the total compact and is the subject of the results summarized below from the independent impact evaluation of the *Support to IGAs Activity*, carried out in tandem with the impact evaluation of the *Support to Small Businesses Activity*.³

Program Logic

The Enterprise Support Pilot Project had two key objectives: to reduce unemployment among young graduates and to encourage an entrepreneurial culture. Through the *Support to IGAs Activity*, MCA-Morocco worked with an existing Government of Morocco program, the National Initiative for Human Development (INDH, per its French acronym), to improve the overall performance of INDH groups or IGAs.⁴ The IGAs are largely rural groups engaged in the agricultural sector and are generally managed by a board made of one coordinator and three members. IGAs received technical support specific to their respective industry or trade and coaching aimed at strengthening or developing managerial skills. Training components were provided to two or three IGAs' members together while other coaching and technical support were carried out with a single member of the IGA. As a result of the training and coaching, IGAs were expected to perform better, survive longer, increase their sales and profits, and ensure improved standards of living for their members. The program logic is summarized below:



Two key assumptions underlying the *Support to IGA* activity were:

- On average, the beneficiaries of the IGA program were expected to have low levels of formal education. The fact that IGAs were held in more rural areas was expected to present both opportunities and challenges.
- Providing training, technical assistance and coaching to a few members of the IGA board will improve the performance of the IGA in terms of production and sales, and also benefit the other members of the IGA.

Measuring Results

MCC uses multiple sources to measure results. Monitoring data is used during compact implementation. Independent evaluations are generally completed post-compact. Monitoring data is typically generated by project implementers, and specifically covers the project participants who received treatment through the compact. However, monitoring data is limited in that it cannot tell us what the project participants would have done in the absence of the MCC-funded training. This is a key motivation why MCC invests in independent impact evaluations. This piece of information, known as a counterfactual, enables an

evaluator to determine whether the intervention has had a significant impact on beneficiaries and achieved the expected outcomes.

Monitoring Results

The following table summarizes performance on output and outcome indicators specific to the evaluated program.

Indicators	Level	Actual Achieved	Target	Percent Achieved
% increase in IGA Sales (treatment IGAs with respect to control group) one year after completion of project support	Outcome	0%	5%	0%
Number of IGAs that benefitted from the project training and technical assistance	Output	200	200	100%
Number of Government officers trained by the project from the three implementing entities	Output	649	473	137%
Number of regional offices (ANPME & OFPPT) and DAS (INDH) equipped with IT	Output	150	150	100%

The average completion rate of output and outcome targets is 84.25% percent, and the number of indicators where targets were met or exceeded is 3 out of 4.

Evaluation Questions

The evaluation was designed to answer questions such as:

- Has the project enabled the new businesses to survive longer compared to the control group?
- Has the project allowed business revenue in the treatment group to grow more than that of the control group?
- Has the project led to growth in employment?
- Has the project led to any change in relationships between suppliers and customers?
- Has the project led to an improvement in the IGA's access to financing?
- Has the project led to an increased sense of entrepreneurial spirit and sense of wellbeing?

Evaluation Results

Evaluator	Innovations for Poverty Action (IPA)
Methodology	Randomized Control Trial
Evaluation Period	From May 2009 to August 2013
Exposure Period	IGAs received training between January 2011 and December 2011
Immediate Outcomes	<p>Treatment group IGAs experienced:</p> <ul style="list-style-type: none"> • a quicker shift from association status to cooperative status as compared to control group IGAs • no statistically significant change in the use of financial accounting methods • no impact on their access to or use of finance
Intermediate Outcomes	<p>Treatment group IGAs experienced:</p> <ul style="list-style-type: none"> • an increase in sales • a survival rate 5 percentage points greater than control group (97% vs 92%), with greater impacts on IGAs with the lower sales volumes • a slight increase in savings in the intermediate term, yet not in the longer term, suggesting that increased profits were being invested back into production • an increase in production expenses for treatment group of IGAs, which indicates a greater volume produced
Ultimate Impacts	<p>Treatment group IGAs experienced:</p> <ul style="list-style-type: none"> • average declared profits 78 percent greater than profits declared by control IGAs • no measurable impacts on income, but AGR-supported households are less often in debt, have more material wealth, and consume more everyday consumer goods • higher ownership of durable goods • higher perceived levels of life satisfaction • no impact on overall entrepreneurial spirit or state of mind

Economic Rate of Return ⁵ (ERR) Estimates and Decision Not to Scale-up the Enterprise Support Pilot

As there was insufficient empirical evidence on the extent to which post-creation business training would increase revenues, productivity and survival rates of new enterprises, the Enterprise Support Project was structured as a two-year pilot program subject to a rigorous impact evaluation using a randomized design. Scale-up of the project was made contingent upon the results of the pilot program producing an estimated ERR above 10 percent for the scale-up project. The ERR prior to the implementation of the pilot program was estimated at 13.5 percent. Upon results one year after implementation, the overall ERR including scale-up phase projections was estimated at 1.21 percent while the ERR of the scale-up phase alone was estimated at 7.21 percent. ⁶ MCC decided not to proceed with scale-up of the Enterprise Support Project as the revised ERR estimate did not pass the hurdle-rate of 10 percent and was not estimated to generate sufficient benefits to justify the costs of the project.

ERR at Closeout (Project-wide, not exclusive to *Support to IGAs Activity*)

At closeout, the results of the impact evaluation became available and it was possible to revisit some of the benefit assumptions that could not be updated at the time the scaleup decision was made. The impact evaluation found SME failure rates were reduced by 30%, rather than the 20% reduction assumed by the original ERR. However, this has essentially no significant impact on the ERR (an interesting problem of itself that we have yet to resolve). The only other significant impact the impact evaluation found was an improvement in value added for the AGR-INDH subactivity ⁷ of 30%, vs. 5% as was assumed in the original ERR. Making this change to the parameter increased the ERR for the AGR-INDH subactivity from -3.5% to 4.4%, a significant improvement but still not higher than the 10% threshold. The overall closeout ERR was -0.9%.

Lessons Learned

MCC's independent evaluator completed two impact evaluations ⁸ of the Enterprise Support Project as well as a paper comparing the two evaluations' respective results. Looking across these three reports, MCC has identified a set of relevant lessons learned. Several lessons as illustrated by the *Support to IGAs Activity* are:

- **Tailor activities both to the demand and the capacities of the beneficiaries:** The evaluation report findings suggest that the training was not as effective for small businesses as it was for IGAs. Given the similarities in the design and implementation of the activities, context-specific baseline characteristics of the primary beneficiaries might provide more clues to the potential success of an activity. The comparative report suggests that the relative success of the *Support to IGAs Activity* may be in part due to the fact that baseline human and managerial capital levels were lower in IGAs than in small businesses and that the small businesses faced a harsher business environment.

IGA coordinators had less education and less-developed management tools but greater demand for training, which may have translated into a greater commitment to the training and thus, a larger impact. High levels of debt coupled with strong competition exposed small businesses to greater risk than IGAs, possibly making it more difficult for small businesses to implement new strategies and tools gained from training. The qualitative portion of the evaluation report revealed that certain beneficiaries did not understand the nature of the program or certain training content. There was also a gap between the beneficiaries' expectations and the content of the trainings. Some beneficiaries said that the trainings were too theoretical for their needs and were not applicable to or representational of the beneficiary businesses. Entrepreneurial trainings must be designed to correspond to the needs of potential beneficiaries and must also consider results of similar programs implemented elsewhere in the past.

- **Take caution when selecting impact evaluations as tools for real-time feedback for scale-up decisions:** The impact evaluation for the Enterprise Support project was unable to provide information about impact upon which to base the decision to scale-up the pilot. Part of the problem was that the project was delayed, but the major problem is that it takes several years for the results of the project to be measurable. While in some instances impact evaluations may be informative regarding scaling decisions, this should be carefully analyzed before creating a scale-up decision which is contingent on the result of an impact evaluation.
- **Incorporate qualitative methods into the monitoring of implementation:** Similar to the above lesson, it is also necessary to initiate a number of qualitative methods throughout the course of a project to monitor the activity, inform project adaptation, and thereby maximize the impacts of an activity. These may include participant observations of trainings, expert interviews with those designing the courses and focus groups with beneficiaries. While qualitative/comparative methods were not conceived as part of the original evaluation design, many of the most policy-relevant lessons from the evaluation were borne out of the ex-post qualitative and comparative research carried out by the evaluator.

Endnotes

1. Activity C “INDH Training”
2. Activity A “ANPME Training” and Activity B “OFPPT Training”. This project is better described in terms of the type of enterprises that the interventions targeted than broken down by its activities. Thus, in this report “income generating activities” or “IGAs” refers to the participants of Activity C while “small businesses” refers to the participants of both Activity A and Activity B
3. Results of the impact evaluation for the Support to Small Businesses Activity will be summarized and released simultaneously with this report.
4. Known as AGRs in French for *Activités Génératrices de Revenus*. AGRs are small organizations, mostly associations of beneficiaries, created through INDH, who subsidized investment in groups’ projects. Groups range from 3 members to 50, with an average of 15 members.
5. With MCC’s focus on measurable results that reduce poverty, we analyze each program to determine its Economic Rate of Return (ERR) and expect programs to generate adequate benefit streams to justify the specific investments. MCC’s methodology for ERR analysis is best described as micro-economic growth analysis, which measures the expected increases in household incomes or the value-added of individual firms. ERRs can also be considered MCC’s best pre-investment estimate of the likely economic impact of the proposed investment.
(<http://www.mcc.gov/pages/activities/activity/economic-rates-of-return>)
6. Given the nature of post-creation business support, impacts on value-added growth and business survival rates are difficult to detect/measure after a single year. However, costs were greater than originally expected, which was the primary reason the decision was made not to scale up. While the results of the impact evaluation as summarized in this report further supports MCC’s final decision not to scale-up (as well as the fact that costs at closeout were even higher than estimated at the time of the scale up decision), previous interventions in post-creation business support would suggest that some benefits from support may accrue several years after implementation, longer than the total of two years given to the pilot program to be evaluated. For example, a World Bank case study in 2010 titled *Impact Evaluation of SME Programs in Latin America and Caribbean* (<http://www10.iadb.org/intal/intalcdi/pe/2010/05674.pdf>) found that the existence of “important time effects suggests that a longer time horizon—beyond the one or two years after treatment that is common in many evaluation studies—should be considered in program impact evaluation studies” (p. 55). The same study reported the case of a similar project in Mexico: “Some of the positive effects do not materialize until after the third or fourth year of exposure into the program” (p. 101). Unfortunately, due to concerns about attrition rates (e.g. difficulty in following up with businesses) and possible provision of support services to control group businesses, further impact evaluation of this Project is not feasible.
7. The Enterprise Support project consists of the Moukawalati-OFPPT, Moukawalati-ANPME, and AGR-INDH subactivities. See Enterprise Support impact evaluation for details.
8. The impact evaluations of the Support to IGAs Activity and the Support to Small Businesses Activity, respectively.